

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

March 2, 2007

In Reply Refer To:  
Wasatch Energy, LLC and  
Northwest Pipeline Corporation  
Docket No. RP07-143-000

Northwest Pipeline Corporation  
295 Chipeta Way  
Salt Lake City, Utah 84108

Attention: Steven W. Snarr  
Attorney for Northwest Pipeline Corporation

Reference: Order Granting Waivers

Dear Mr. Snarr:

1. On January 23, 2007, Wasatch Energy, LLC (Wasatch) and Northwest Pipeline Corporation (Northwest) (jointly, Petitioners) filed a joint petition for expedited grant of limited waivers of certain Commission policies and regulations and certain pipeline tariff provisions.<sup>1</sup> In sum, the Petitioners request waiver of: (i) the Commission's policy espoused in Order No. 636-A<sup>2</sup> prohibiting the tying of non-jurisdictional gas transmission contracts to released transportation capacity; (ii) the Commission's maximum rate cap on

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<sup>1</sup> The Petitioners supplemented this filing on February 20, 2007. The supplemental filing notes a minor correction and change of status to the two long-term firm contracts executed with Questar Pipeline Company and adds four sections of Colorado Interstate Gas Company's FERC Tariff to the pipeline-specific tariff waiver requests.

<sup>2</sup> Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation; and Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol, Order No. 636, 57 Fed. Reg. 13,267 (April 16, 1992), FERC Stats. and Regs., Regulations Preambles (January 1991 - June 1996) ¶ 30,939 at 30,446-48 (April 8, 1992); *order on reh'g*, Order No. 636-A, 57 Fed. Reg. 36,128 (August 12, 1992), FERC Stats. and Regs., Regulations Preambles (January 1991 - June 1996) ¶ 30,950 (August 3, 1992); *order on reh'g*, Order No. 636-B, 57 Fed. Reg. 57,911 (December 8, 1992), 61 FERC ¶ 61,272 (1992); *reh'g denied*, 62 FERC ¶ 61,007 (1993); *aff'd in part and remanded in part*, United Distribution Companies v. FERC, 88 F.3d 1105 (D.C. Cir. 1996); *order on remand*, Order No. 636-C, 78 FERC ¶ 61,186 (1997).

released capacity; and (iii) certain capacity release tariff provisions of Northwest and all non-host pipelines.<sup>3</sup> Wasatch states that it desires to exit the gas marketing and trading businesses by selling its entire operational portfolio, with two minor exceptions, to a qualified creditworthy purchaser (Prearranged Replacement Shipper). As discussed below, the Commission will grant the requested waivers.

2. The Petitioners state that the requested waivers are necessary to implement the permanent transfer of Wasatch's portfolio<sup>4</sup> to the Prearranged Replacement Shipper or to a successful third-party bidder using a consolidated auction process. The Petitioners request expedited action on this filing to permit posting and bidding to occur promptly with an anticipated closing date no later than March 30, 2007.

3. Wasatch states that in order to exit the natural gas trading and marketing businesses efficiently, and to minimize disruption and inconvenience for existing customers, Wasatch has agreed to sell its entire operating portfolio, with two minor exceptions, as a package to the Prearranged Replacement Shipper. Wasatch states that the exceptions are two long-term firm contracts recently executed with Questar Pipeline Company. Wasatch states that it will transfer these two agreements in separate transactions outside the purchase by the Prearranged Replacement Shipper in the instant filing.

4. Wasatch states that Northwest will act as the host pipeline and that Northwest will treat the entire portfolio as a prearranged transaction and post it for competing bids. Wasatch states that each of the other pipelines whose capacity is part of the full portfolio will be asked to post an informational notice on its website, advising interested parties that Wasatch's capacity on that pipeline will be offered for bids as part of a larger portfolio release to be conducted by Northwest. Wasatch states that prospective bidders will be provided a 20-day bid evaluation period and that it will ensure that an informational notice is posted on each affected pipeline's website, advising the results of the auction process.

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<sup>3</sup> The non-host pipelines include: Colorado Interstate Gas Company, Gas Transmission Northwest Corporation, Kern River Gas Transmission Company, Paiute Pipeline Company, Questar Pipeline Company, TransColorado Gas Transmission Company, and Transwestern Pipeline Company, LLC.

<sup>4</sup> The Petitioners state that (with two minor exceptions) Wasatch's portfolio consists of: (1) approximately 31 firm transportation agreements; (2) approximately 93 natural gas purchase contracts; (3) approximately 445 natural gas sales agreements; (4) 12 natural gas peaking contracts; (5) obligations under approximately 127 supply area and market area balancing agreements; (6) obligations under 9 storage park and loan transactions; (7) obligations under interruptible transportation contracts; (8) financial risk associated with obligations under a series of financial trades; and (9) obligations under approximately 16 asset management transactions.

5. The Petitioners state that good cause exists to grant the requested waivers to permit Wasatch to exit the natural gas marketing and trading business in a rational and orderly fashion. The Commission will address the requested waivers below.

6. Public notice of the instant filing was issued on January 26, 2007, with interventions and protests due on or before February 5, 2007. Pursuant to Rule 214 (18 C.F.R. § 154.210 (2006)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No protests or adverse comments were filed.

7. The Petitioners have requested various waivers of Commission policies and regulations, and pipeline tariff provisions so that Wasatch may exit the natural gas marketing business by selling its operational portfolio to a Prearranged Replacement Shipper or a third party bidder. The Commission has previously determined that a releasing shipper that is attempting to exit the natural gas business, should, within certain limitations, be permitted to exit in a rational and orderly fashion, if such action is open and will not unduly discriminate against other shippers.<sup>5</sup> Here, Wasatch and Northwest have proposed an open and transparent auction process for the disposition of Wasatch's operational portfolio, including a number of gas transportation contracts which will be transferred to the Prearranged Replacement Shipper or a third party bidder at Wasatch's cost. The Commission will grant waiver of the Commission's Order No. 636-A policy regarding the tying of gas delivery contracts to released transportation capacity since the sale of Wasatch's entire operational portfolio as an integrated package will permit Wasatch to exit the natural gas business in an orderly and rational manner.

8. Wasatch is also seeking waiver of the maximum rate cap of released capacity for one transportation contract with Questar Pipeline Company which is at a negotiated rate that is \$.02/Dth above the maximum recourse rate for deliveries between 6,500 and 18,000 Dth. Wasatch states that the Prearranged Replacement Shipper or winning bidder will assume Wasatch's obligation for this contract at Wasatch's cost. The Commission will grant waiver of the section 284.8(e)<sup>6</sup> prohibition on bids in excess of the maximum rate since the negotiated rate contract will be part of the sale of Wasatch's entire operational portfolio that will permit it to exit the natural gas business in an orderly and rational manner.

9. Finally, the Commission will grant waivers of various tariff provisions of Northwest and the non-host pipelines to permit Northwest to serve as the host pipeline in the contemplated auction procedure and to permit the non-host pipelines to post the related informational notices. These pipeline specific waivers will permit an open and

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<sup>5</sup> See, *Northwest Pipeline Corporation*, 109 FERC ¶ 61,044 (2004) and *Duke Energy Marketing America, LLC*, 114 FERC ¶ 61,198 (2006).

<sup>6</sup> 18 C.F.R. § 284.8(e) (2006).

transparent auction process that will permit Wasatch to exit the natural gas business in a rational and orderly manner.

By direction of the Commission.

Magalie R. Salas,  
Secretary.